

Message Text

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ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 R

DRAFTED BY NEA/EGY:GRBEYER:CEK

APPROVED BY NEA - MR ATHERTON

L/NEA - MR SMALL

S/S - MR. BRIDGES

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O 161611Z SEP 76

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO IMMEDIATE

INFO AMEMBASSY TEL AVIV IMMEDIATE

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EXDIS

E.O. 11652: GDS

TAGS: PFOR, ENRG, US, EG, IS

SUBJECT: DISCUSSION WITH AMOCO OFFICIALS

1. PRESIDENT ADAMS OF AMOCO, ACCCOMPANIED BY TWO AIDES, MET SEPTEMBER 14 FIRST WITH MR. ATHERTON AND THEN WITH UNDER SECRETARY HABIB, AND THEIR AIDES, TO DISCUSS US-ISRAELI MEETING IN WASHINGTON, SEPTEMBER 16, ON AMOCO ACTIVITIES IN THE GULF OF SUEZ. ATHERTON OPENED THE DISCUSSION BY WEL-COMING ADAMS AND DESCRIBING TO HIM THE SCENARIO OF PROPOSED TALKS WITH ISRAEL SLATED FOR THURSDAY. THE TALKS - - WOULD BE IN THE NATURE OF AN EXCHANGE OF INFORMATION WHICH WE CONSIDER TO BE A REVIEW OF AMOCO DRILLING PLANS IN THE GULF OF SUEZ. THE TEAM COMING FROM ISRAEL WOULD BE HEADED BY MR. EVRON, WHO IS NUMBER THREE IN THE ISRAELI MINISTRY OF FOREIGN AFFAIRS. UNDER SECRETARY HABIB WOULD OPEN THE DISCUSSIONS. WE HAVE TOLD THE PRESS ONLY THAT THESE TALKS - ARE A CONTINUATION OF DISCUSSIONS WITH THE ISRAELIS NTHE ACTIVITIES OF AMOCO IN THE GULF OF SUEZ. WE HAVE REFUSED TO GIVE FURTHER DETAILS

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ON THESE DISCUSSIONS TO THE PRESS. OUR DESIRE TO MEET WITH

ADAMS IS TO ENSURE THAT WE UNDERSTAND FULLY AMOCO'S POSITION AND PLANS CONCERNING ITS ACTIVITIES IN THE GULF.

2. ATHERTON SAID THAT THE US GOAL IN THE DISCUSSIONS WITH

THE ISRAELIS WILL BE TO SEEK A PRACTICAL SOLUTION TO THE PROBLEMS WHICH AMOCO HAS ENCONTRERED WITH THE ISRAELIS. THE ISRAELI-US TALKS WILL NOT BE THE OCCASION FOR TRYING TO RESOLVE LEGAL DIFFERENCES WHICH EXIST BETWEEN THE ISRAELI, US AND EGYPTIAN POSITIONS ON THE GULF OF SUEZ. OUR HOPE IS TO FIND A PRACTICAL WAY TO SOLVE THE IMMEDIATE OPERATIONAL PROBLEMS AMOCO IS FACING WITHOUT COMPROMISING THE POSITIONS OF THE US OR AMOCO ON THE LEGAL ISSUES. WE ASSUME ISRAEL IS ALSO NOT PREPARED TO COMPROMISE ITS LEGAL POSITION. WE HAVE HAD INDICATIONS THAT PRIME MINISTER RABIN ALSO APPARENTLY HOPES TO FIND A PRACTICAL SOLUTION TO THIS PROBLEM.

3. MR. ATHERTON SAID IT WOULD BE HELPFUL IF MR. ADAMS COULD REVIEW THE STATUS OF THE SEVERAL CONCESSIONS THAT AMOCO HOLDS FROM EGYPT. ADAMS THEN INDICATED, ON A LARGE-SCALE MAP HE HAD BROUGHT ALONG, THE STATUS AND CONDITIONS OF AMOCO'S SEVERAL CONCESSIONS IN THE GULF OF SUEZ. ADAMS NOTED THAT THE SOUTH GARRA FIELD IS OWNED 75 PERCENT BY AMOCO AND 25 PERCENT BY ITALIAN INTERESTS. THE EGYPTIANS HAVE RECOGNIZED THAT THIS FIELD, WHICH WAS GRANTED TO AMOCO IN 1974, AS WELL AS THE SOUTH BELAYIM CONCESSION, GRANTED IN 1974, CANNOT BE WORKED AT THIS TIME BECAUSE OF QUOTE SPECIAL CIRCUMSTANCES UNQUOTE. SIMILARLY, SITES EAST OF THE MORGAN FIELD, THOUGH GRANTED IN 1964, NEED NOT BE WORKED ACCORDING TO THE EGYPTIANS BECAUSE OF THE QUOTE FORCE MAJEURE UNQUOTE CLAUSE IN THESE LEASES. QUOTE FORCE MAJEURE UNQUOTE IS CONSIDERED NO LONGER TO EXIST IN AMOCO CONCESSIONS GRANTED IN 1964 IN AREAS NORTH OF ABU RUDEIS IN THE GULF AND THE EGYPTIANS EXPECT THE COMPANY TO WORK THESE AREAS. THE MORGAN FIELD HAS BEEN AN OPERATING FIELD SINCE 1967. IN THE RAMADAN FIELD, ALSO OPERATIONAL FOR SEVERAL YEARS, THE COMPANY IS TRYING TO FIND ITS LIMITS, AND THAT IS THE PURPOSE OF PUTTING A WELL DOWN AT SITE 304.1. THE EGYPTIANS HAVE NEVER CONSIDERED MORGAN AND

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RAMADAN TO BE UNDER FORCE MAJEURE.

4. ADAMS SAID THAT THE COMPANY PLANS IN THE MONTH AHEAD TO DRILL ON ITS CONCESSIONS IN THE NORTH, WHICH SHOULD NOT BE A PROBLEM. IT ALSO WANTS TO CONTINUE ITS OPERATIONS IN THE MORGAN FIELD, TO DEVELOP FURTHER THE RAMADAN FIELD AND TO WORK ON WHAT IS BECOMING A NEW FIELD IN SITES 382.1, 391.1, AND BLOCK 392. ON THESE LAST THREE AREAS THE QUOTE

FORCE MAJEURE UNQUOTE CLAUSE HAS BEEN LIFTED AND THE COMPANY MUST WORK THEM OR LOSE THEM. THE AREAS WHERE THE COMPANY EXPECTS TO BE ABLE TO CONTINUE TO WORK IN THE YEAR AHEAD, THEREFORE, WHICH MIGHT BE OBJECTED TO BY ISRAEL BECAUSE OF BEING ON OR EASTWARD OF THE MEDIAN LINE IN THE GULF ARE THE FOLLOWING BLOCKS: 303, 304, 313, 314, 324, 325, 335 AND 392. ADAMS NOTED THAT IT SHOULD BE RECOGNIZED THAT FOUR OF THESE BLOCKS, 314, 324, 325 AND 335 MAKE UP THE MORGAN FIELD, WHERE THE COMPANY HAS BEEN OPERATING ESSENTIALLY WITHOUT HARASSMENT SINCE 1967.

5. MR. ATHERTON ASKED ADAMS WHAT EGYPT EXPECTS OF AMOCO. ADAMS REPLIED THAT THE MINISTER OF PETROLEUM, MR. HILAL, WANTED AMOCO TO CONTINUE OPERATIONS IN THE MORGAN FIELD AND TO DEVELOP AND GET INTO PRODUCTION AS SOON AS POSSIBLE THE RAMADAN FIELD AS WELL AS THE NEW FIELD WHERE PRODUCING WELLS HAVE BEEN DEVELOPED IN THE SOUTHERN BLOCKS OF 382 AND 391.

6. IN RESPONSE TO A QUESTION, ADAMS SAID THAT THE MOST EASTERLY EDGE OF THE MORGAN FIELD IS BETWEEN FIVE AND SIX MILES FROM THE SINAI SHORE.

7. CONCERNING OFFSHORE DRILLING BY ISRAEL, ADAMS SAID ISRAEL HAD ONLY DRILLED ONE HOLE AT BLOCK 367 JUST SOUTH OF AMOCO'S OWN CONCESSION IN THAT BLOCK. AMOCO HAD FEARED THAT THE ISRAELIS WERE LOCATING A DRILL RIG JUST EAST OF THE RAMADAN FIELD BUT THAT PROVED TO BE AN INACCURATE REPORT. THE ISRAELIS HAD MERELY ANCHORED A WORK BOAT IN THAT LOCATION.

8. ADAMS SAID HE BELIEVES EGYPT HAS BEEN QUITE RESTRAINED IN THIS MATTER THUS FAR. IF ISRAEL SHOULD INTENSIFY ITS SECRET

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INTERFERENCE IN SUCH ESTABLISHED FIELDS AS MORGAN OR RAMADAN THE EGYPTIAN REACTION COULD BE MOST SERIOUS.

9. ATHERTON SAID HE HOPED THAT, IN THE FUTURE, COMMUNICATIONS BETWEEN AMOCO IN THE FIELD AND THE EMBASSY COULD BE AS ACCURATE AS POSSIBLE. HE NOTED THAT WE HAD PROTESTED TO THE ISRAELIS ONE INCIDENT ON THE BASIS OF AN AMOCO REPORT WHICH ON FURTHER INVESTIGATION TURNED OUT TO HAVE BEEN INACCURATELY DESCRIBED. OUR PROTESTATIONS ON BEHALF OF AMOCO LOSE CONSIDERABLE FORCE WITH THE ISRAELIS IF OUR FACTS ARE NOT INCONTESTABLE. ADAMS AGREED IT WAS NECESSARY TO DOUBLE CHECK REPORTS AND THAT HE WOULD PASS THIS ALONG TO HIS PEOPLE IN THE FIELD, THOUGH HE NOTED THAT FROM TIME TO TIME THE ISRAELI REPORTS WERE SIMILARLY NOT COMPLETELY ACCURATE. IT WAS ALSO SUGGESTED THAT WHEN

AMOCO REPORTS INCIDENTS OF HARASSMENT BY THE ISRAELIS, IT GIVE THE EXACT LOCATION AND THE TIME OF DAY THE INCIDENT OCCURRED.

10. ADAMS REAFFIRMED THAT DRILLING MUST COMMENCE BY MID-NIGHT, MONDAY, SEPTEMBER 20, IN ORDER FOR AMOCO TO RETAIN ITS RIGHTS IN BLOCK 304. ONE OF HIS AIDES CONFIRMED THAT IT WOULD TAKE TWO TO FOUR DAYS, DEPENDING ON THE WEATHER,

TO PREPARE SITE 304.1 AGAIN FOR THE STATIONING OF A DRILL RIG.

11. ATHERTON NOTED THAT IF THE DISCUSSIONS WITH THE ISRAELIS RESOLVED THESE OUTSTANDING PROBLEMS THERE WOULD BE TIME FOR THE AMOCO DRILL RIG TO GET BACK ONTO SITE 304.1. ADAMS AGREED THAT AMOCO WOULD TAKE NO ACTION TOWARD RETURNING THE RIG TO SITE 304.1 UNTIL THERE ARE FURTHER TALKS WITH DEPARTMENT OFFICIALS. IT WAS AGREED THAT WE WOULD KEEP IN CLOSE TOUCH THURSDAY, SEPTEMBER 16.

12. IN THE MEETING WITH MR. HABIB, MR. ADAMS AND MR. ATHERTON REVIEWED THEIR DISCUSSION AS OUTLINED ABOVE. MR. HABIB REITERATED THAT THE DEPARTMENT'S INTENTIONS IN THE TALKS WITH THE ISRAELIS ARE TO TRY TO ASSURE THAT THE PRODUCING FIELDS AMOCO HAS ESTABLISHED WOULD CONTINUE TO OPERATE UNHINDERED, THAT ALL ISRAELI HARASSMENT OF AMOCO

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OPERATIONS WOULD END, AND THAT AMOCO COULD DEVELOP THE FIELDS IT DESIRED AND HAS IDENTIFIED AS PROMISING. SPECIFICALLY IN THE CASE OF SITE 304.1, WE WOULD TRY TO ASSURE THAT THE WELL BE DRILLED THERE WITHIN THE TIME LIMIT OF THE CONCESSION. MR. HABIB NOTED THAT WHAT IS DESIRED IS A PRACTICAL RESOLUTION OF AMOCO'S PROBLEMS. HABIB

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Message Attributes

Automatic Decaptoning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPLORATORY DRILLING, OFFSHORE OIL FIELDS, GULF OF SUEZ, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 16 SEP 1976
Decapton Date: 28 MAY 2004
Decapton Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE229302
Document Source: CORE
Document Unique ID: 00
Drafter: GRBEYER:CEK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760349-0960
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760952/aaaabsnt.tel
Line Count: 207
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 10 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <10 JUN 2004 by BoyleJA>; APPROVED <06 OCT 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: DISCUSSION WITH AMOCO OFFICIALS
TAGS: PFOR, ENRG, US, EG, IS, AMOCO, (ATHERTON, ALFRED L)
To: CAIRO
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006